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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
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EXAMINER

DURAN, ARTHUR D

ART UNIT	PAPER NUMBER
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3622

DATE MAILED: 01/05/2004

Please find below and/or attached an Office communication concerning this application or proceeding.

Office Action Summary

Application No.

09/711,183

Applicant(s)

SAMSON ET AL.

Examiner

Arthur Duran

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-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If the period for reply specified above is less than thirty (30) days, a reply within the statutory minimum of thirty (30) days will be considered timely.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133).
- Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

Status

- 1) ☒ Responsive to communication(s) filed on 13 November 2000.
- 2a) ☐ This action is FINAL. 2b) ☒ This action is non-final.
- 3) ☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

Disposition of Claims

- 4) ☒ Claim(s) 1-22 is/are pending in the application.
- 4a) Of the above claim(s) _____ is/are withdrawn from consideration.
- 5) ☐ Claim(s) _____ is/are allowed.
- 6) ☒ Claim(s) 1-22 is/are rejected.
- 7) ☐ Claim(s) _____ is/are objected to.
- 8) ☐ Claim(s) _____ are subject to restriction and/or election requirement.

Application Papers

- 9) ☐ The specification is objected to by the Examiner.
- 10) ☐ The drawing(s) filed on _____ is/are: a) ☐ accepted or b) ☐ objected to by the Examiner.
- Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).
- 11) ☐ The proposed drawing correction filed on _____ is: a) ☐ approved b) ☐ disapproved by the Examiner.
- If approved, corrected drawings are required in reply to this Office action.
- 12) ☐ The oath or declaration is objected to by the Examiner.

Priority under 35 U.S.C. §§ 119 and 120

- 13) ☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).
- a) ☐ All b) ☐ Some * c) ☐ None of:
1. ☐ Certified copies of the priority documents have been received.
2. ☐ Certified copies of the priority documents have been received in Application No. _____.
3. ☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).
- * See the attached detailed Office action for a list of the certified copies not received.
- 14) ☐ Acknowledgment is made of a claim for domestic priority under 35 U.S.C. § 119(e) (to a provisional application).
- a) ☐ The translation of the foreign language provisional application has been received.
- 15) ☐ Acknowledgment is made of a claim for domestic priority under 35 U.S.C. §§ 120 and/or 121.

Attachment(s)

- 1) ☒ Notice of References Cited (PTO-892)
- 2) ☐ Notice of Draftsperson's Patent Drawing Review (PTO-948)
- 3) ☒ Information Disclosure Statement(s) (PTO-1449) Paper No(s) 2, 3.
- 4) ☐ Interview Summary (PTO-413) Paper No(s) _____.
- 5) ☐ Notice of Informal Patent Application (PTO-152)
- 6) ☐ Other: _____.

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DETAILED ACTION

1. Claims 1-22 have been examined.

Claim Rejections - 35 USC § 101

35 U.S.C. 101 reads as follows:

Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

2. Claims 1-18, 20-22 are rejected under 35 U.S.C. 101 because the claimed invention is directed to non-statutory subject matter. These claims are rejected under 35 U.S.C. 101 because these claims have no connection to the technological arts. The method claims do not specify how the claims utilize any technological arts. For example, no network or server is specified. To overcome this rejection, the Examiner recommends that the Applicant amend the claim to specify or to better clarify that the method is utilizing a medium or apparatus, etc within the technological arts. Appropriate correction is required.

As an initial matter, the United States Constitution under Art. I, §8, cl. 8 gave Congress the power to "[p]romote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries". In carrying out this power, Congress authorized under 35 U.S.C. §101 a grant of a patent to "[w]hoever invents or discovers any new and useful process, machine, manufacture, or composition or matter, or any new and useful improvement thereof." Therefore, a fundamental premise is that a patent is a statutorily created vehicle for Congress to confer an exclusive right to the inventors for "inventions" that promote the progress of "science and the useful arts". The

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phrase "technological arts" has been created and used by the courts to offer another view of the term "useful arts". See *In re Musgrave*, 167 USPQ (BNA) 280 (CCPA 1970). Hence, the first test of whether an invention is eligible for a patent is to determine if the invention is within the "technological arts".

Further, despite the express language of §101, several judicially created exceptions have been established to exclude certain subject matter as being patentable subject matter covered by §101. These exceptions include "laws of nature", "natural phenomena", and "abstract ideas". See *Diamond v. Diehr*, 450, U.S. 175, 185, 209 USPQ (BNA) 1, 7 (1981). However, courts have found that even if an invention incorporates abstract ideas, such as mathematical algorithms, the invention may nevertheless be statutory subject matter if the invention as a whole produces a "useful, concrete and tangible result." See *State Street Bank & Trust Co. v. Signature Financial Group, Inc.* 149 F.3d 1368, 1973, 47 USPQ2d (BNA) 1596 (Fed. Cir. 1998).

This "two prong" test was evident when the Court of Customs and Patent Appeals (CCPA) decided an appeal from the Board of Patent Appeals and Interferences (BPAI). See *In re Toma*, 197 USPQ (BNA) 852 (CCPA 1978). In *Toma*, the court held that the recited mathematical algorithm did not render the claim as a whole non-statutory using the Freeman-Walter-Abele test as applied to *Gottschalk v. Benson*, 409 U.S. 63, 175 USPQ (BNA) 673 (1972). Additionally, the court decided separately on the issue of the "technological arts". The court developed a "technological arts" analysis:

The "technological" or "useful" arts inquiry must focus on whether the claimed subject matter...is statutory, not on whether the product of the claimed subject matter...is statutory, not on whether the prior art which the claimed subject matter purports to replace...is statutory, and not on whether the claimed subject matter is presently perceived to be an improvement over the prior art, e.g., whether it "enhances" the operation of a machine. *In re Toma* at 857.

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In *Toma*, the claimed invention was a computer program for translating a source human language (e.g., Russian) into a target human language (e.g., English). The court found that the claimed computer implemented process was within the "technological art" because the claimed invention was an operation being performed by a computer within a computer.

The decision in *State Street Bank & Trust Co. v. Signature Financial Group, Inc.* never addressed this prong of the test. In *State Street Bank & Trust Co.*, the court found that the "mathematical exception" using the Freeman-Walter-Abele test has little, if any, application to determining the presence of statutory subject matter but rather, statutory subject matter should be based on whether the operation produces a "useful, concrete and tangible result". See *State Street Bank & Trust Co.* at 1374. Furthermore, the court found that there was no "business method exception" since the court decisions that purported to create such exceptions were based on novelty or lack of enablement issues and not on statutory grounds. Therefore, the court held that "[w]hether the patent's claims are too broad to be patentable is not to be judged under §101, but rather under §§102, 103 and 112." See *State Street Bank & Trust Co.* at 1377. Both of these analysis goes towards whether the claimed invention is non-statutory because of the presence of an abstract idea. Indeed, *State Street* abolished the Freeman-Walter-Abele test used in *Toma*. However, *State Street* never addressed the second part of the analysis, i.e., the "technological arts" test established in *Toma* because the invention in *State Street* (i.e., a computerized system for determining the year-end income, expense, and capital gain or loss for the portfolio) was already determined to be within the technological arts under the *Toma* test. This dichotomy has been recently acknowledged by the Board of Patent Appeals and Interferences (BPAI) in

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affirming a §101 rejection finding the claimed invention to be non-statutory. See *Ex parte Bowman*, 61 USPQ2d (BNA) 1669 (BdPatApp&Int 2001).

In the current application, no technological art (i.e., computer, network, server) is being utilized by claims 1-18, 20-22. Claims 1-18 utilize no technological art at all. Claim 20, 21, 22 do not state whether the memory is electronic or computer based, etc. Claim 21 does not state in the body of the claims that the [electronic] memory is being utilized by the method steps.

Additionally, Claims 20 and 22 disclose only non-functional data. There are no business method steps in Claims 20, 22. Therefore, Claims 20 and 22 are considered to consist entirely of non-functional descriptive material. This material does not create any functional interrelationships either as part of the stored data or as part of the computing processes performed by the computer and does not impart functionality either to the data or the computer. Such descriptive material is not a process, machine, manufacture, or composition of matter (*Warmerdam*, 33 F.3d at 1361 31 USPQ2d at 1760).

Appropriate correction is required on all 101 Rejected claims.

Claim Rejections - 35 USC § 103

The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

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3. Claims 1, 7-11, 13-17, 19-22 are rejected under 35 U.S.C. 103(a) as being unpatentable over Hammons (6,477,509).

Claim 1, 19, 20, 21: Hammons discloses a method, system of providing incentives to bidders on an auction item comprising:
creating a consumer profile for at least one consumer, the consumer profile including at least information relating to a bid on the auction item (col 10, lines 3-8; col 5, lines 20-30; col 4, lines 28-40; col 9, lines 46-55);
choosing at least one unsold item from an inventory based on the information in the consumer profile (col 9, lines 30-55). Also, it is inherent that if an item is offered for sale it is unsold and still needs to be sold.

Hammons further discloses generating an incentive for the at least one chosen unsold item based on the consumer profile (col 10, lines 40-51; col 4, lines 40-48); and
offering the at least one chosen unsold item and the incentive to the at least one consumer to induce purchasing of the chosen unsold item (col 10, lines 40-51; col 4, lines 40-48).

Hammons further discloses that the incentive is based on a selection of the consumer information (col 10, lines 3-8; col 10, lines 40-50).

Hammons does not explicitly disclose that the incentive value is determined by consumer information.

However, Hammons discloses tracking all user activity to create a user profile for effective sales purposes (col 10, lines 3-8).

Hammons further discloses reinforcing an individual system user through varying incentives (col 10, lines 40-50).

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Therefore, it would have been obvious to Hammons to vary the incentive based on the user profile. One would have been motivated to do this to present incentives that are more appropriate to a user.

Claim 7: Hammons discloses the method of claim 5, and further discloses: generating revenue by at least one of charging a transaction fee and receiving a percentage of the seller surplus on the unsold item (col 3, lines 15-26).

Claim 8: Hammons discloses the method of claim 5, and further discloses that the offering comprises: basing the incentive on a retail price of the auction item (col 10, lines 40-45; col 4, lines 43-47). It is implied that an a discount on an item or an excellent price on an item is in relation to the standard price of an item.

Claim 9: Hammons discloses the method of claim 1, and further discloses: updating the consumer profile by recording whether the incentive was redeemed (col 10, lines 3-8). Hammons offers incentives that can be utilized for in the future (col 4, lines 43-50) and Hammons discloses tracking all aspects of consumer interaction including incentive utilization (col 10, lines 3-8col 10, lines 50-64).

Claim 10: Hammons discloses the method of claim 1.

Hammons further discloses an auction and the user bidding in a competitive auction (col 9, lines 46-52). Hammons further discloses tracking user activity (col 10, lines 1-6). Tracking user activity would include tracking bidding activity as bidding is a user activity.

It is implied by competitive bidding that there will be several bids before the successful bid.

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Therefore, it is obvious to Hammons that the bidding user can furnish at least one bid that is lower than the successful bid for the auction item. Hammon's user would be motivated to have bid lower than the successful bid in order to try to attain as low a price as possible.

Claim 11: Hammons discloses the method of claim 1, and further discloses that the generating comprises:

establishing the incentive based on at least one of inventory levels, market conditions, and consumer preferences (col 10, lines 45-55; col 9, lines 5-12).

Claim 13: Hammons discloses the method of claim 1.

Hammons does not explicitly disclose basing an incentive on the unsuccessful bid.

However, Hammons discloses offering incentives (col 10, lines 40-45; col 4, lines 44-48) based on the profile and tracking and analyzing all actions of a user (col 10, lines 1-6; col 10, lines 45-63).

Hammons further discloses auctions including bid monitoring of a user's bids (col 9, lines 46-52).

Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to add Hammon's incentive offers based on user profile and actions to Hammon's presenting and tracking system user bid activities. One would have been motivated to do this because a user is likely interested in an incentive on an item for which they bid.

Claim 14: Hammons discloses the method of claim 1 wherein the creating comprises: evaluating consumer behavior;

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determining demographics and psychographics of the consumer; gathering transaction information of the consumer; and classifying the consumer in a consumer category (col 4, line 60-col 5, line 10; col 9, lines 5-15; col 10, lines 1-8).

Claim 15, 16: Hammons discloses the method of claim 1. Hammons further discloses that choosing comprises:

Selecting a comparable or redirecting the consumer to a different unsold item as compared to the auction item (col 9, lines 30-55). Since Hammons discloses redirecting consumers to unsold items and offering auction items, it would have been obvious of Hammons to offer unsold items related to auction items. One would have been motivated to do this because the user is likely interested in items related to an item the user bids on.

Claim 17: Hammons discloses the method of claim 1 wherein the offering comprises: extending a general incentive with at least one seller (col 4, lines 40-48).

Claim 22: Hammons discloses a database for an incentive program for bidders on auction items comprising:

an inventory file having at least one of detailed descriptions of an inventory, a list of similar items of the inventory, and a list of complementary items of the inventory (col 4, lines 49-67; Fig. 2); and

a consumer profile having at least one of bidding history, start bid, bid frequency, bid increment, final bid, winning bid, target product, Internet service provider, zip code, credit card type, and coupon redemption rate (col 5, lines 20-30; col 4, lines 28-40; col 9, lines 46-55).

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4. Claim 2, 4, 5, 6, 12, 18 are rejected under 35 U.S.C. 103(a) as being unpatentable over Hammons (6,477,509) in view of Deaton (5,687,322).

Claim 2, 4, 5: Hammons discloses the method of claim 1 further comprising:

Hammons discloses profiling users (col 10, lines 1-8) and providing incentives (col 10, lines 45-63).

Hammons does not explicitly disclose providing a maximum allowable discount for each unsold item from the inventory, the incentive comprising an amount less than the maximum allowable discount.

However, Deaton discloses providing a maximum allowable discount for each unsold item from the inventory, the incentive comprising an amount less than the maximum allowable discount (col 74, lines 65-col 75, lines 4).

Deaton further discloses establishing a discount zone between a full price of the unsold item and the full price less the maximum allowable discount (col 74, lines 65-col 75, lines 9).

Deaton further discloses determining an effective price within the discount zone deemed necessary to trigger a consumer purchase, the discount zone having a consumer surplus between the full price and the effective price and a seller surplus between the effective price and the full price less the maximum allowable discount (col 74, lines 65-col 75, lines 9);

calculating at least one of a rebate and coupon equivalent to the consumer surplus.

Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to add Deaton's providing the maximum allowable discount only when necessary to Hammon's profiling and incentives. One would have been motivated to do this to provide prices that attract users but do not slim profits of sellers.

Claim 6, 12: Hammons discloses the method of claim 5. Hammons further discloses: recording at least one of detailed descriptions, a list of similar items, and a list of complementary items of the inventory (col 9, lines 30-50); inputting into the consumer profile at least one of bidding history, start bid, bid frequency, bid increment, final bid, winning bid, target product, click stream, Internet service provider, zip code, credit card type, and coupon redemption rate (col 10, lines 1-8; col 9, lines 45-55); comparing the consumer profile to an index of consumer behavior indicators; categorizing the consumer according to results of the comparison; assigning a weight to the input of the consumer profile to determine importance of the input; and monitoring the input to improve accuracy of the assigned weights (col 4, line 60-col 5, line 10; col 9, lines 5-15; col 10, lines 1-8).

Hammons does not explicitly disclose calculating the maximum allowable discount based on the seller's inventory pressure.

However, Deaton discloses calculating the maximum allowable discount based on the seller's inventory pressure (col 103, lines 5-18)

Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to add Deaton's inventory influenced incentive to Hammons profiling and incentives. One would have been motivated to do this so that Hammons can vary incentives based on the situation of the seller and thereby assist the seller with efficient sales.

Claim 18: Hammons discloses the method of claim 1. Hammons further discloses offering incentives (col 10, lines 40-45; col 4, lines 44-48) and the consumer rejecting incentives and terminating communications (col 2, lines 48-54).

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Hammons does not disclose expiring the incentive.

However, Deaton discloses expiring an incentive (col 106, lines 38-60).

Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to add Deaton's expiring an incentive to Hammons rejecting an incentive or terminating communications. One would have been motivated to do this because an incentive being available for a limited time can further motivate a user to utilize that incentive.

5. Claim 3 is rejected under 35 U.S.C. 103(a) as being unpatentable over Hammons (6,477,509) in view of Walker (5,862,223).

Claim 3: Hammons discloses the method of claim 2. Hammons further discloses adjustable prices (col 10, lines 40-45) and discounts (col 4, lines 44-48) and communicating with the seller (col 9, lines 40-col 10, line 7).

Hammons does not explicitly disclose negotiating the maximum allowable discount of the unsold item with a seller.

However, Walker discloses negotiating the maximum allowable discount of the unsold item with a seller (col 4, lines 21-25; col 4, lines 13-18).

Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to add Walker's price negotiating to Hammons adjustable prices and communicating with the seller. One would have been motivated to do this to achieve a price that will entice a buyer yet is also favorable to a seller.

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Conclusion

The following prior art made of record and not relied upon is considered pertinent to applicant's disclosure:

- a. Walker (6,041,308) discloses auctions with a buyer database tracking user activity;
- b. Gerace (5,848,396) discloses profiling a user and the user participating in auctions and receiving incentives and discounts.

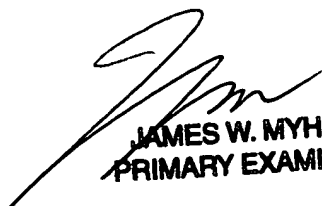
Any inquiry concerning this communication or earlier communications from the examiner should be directed to Arthur Duran whose telephone number is (703)305-4687. The examiner can normally be reached on Mon- Fri, 7:30-4:00.

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, Eric Stamber can be reached on (703)305-8469. The fax phone number for the organization where this application or proceeding is assigned is (703) 872-9306.

Any inquiry of a general nature or relating to the status of this application or proceeding should be directed to the receptionist whose telephone number is (703)308-1113.

AO

12/22/03


JAMES W. MYHRE
PRIMARY EXAMINER